



Tony Knowles, Governor

Office of the Commissioner

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September 24, 2002

David Benton, Chairman
North Pacific Fishery Management Council
605 West 4th Avenue, Suite 306
Anchorage, Alaska 99501-2252

RE: State of Alaska Response to Comments

Dear Mr. Chairman:

In order to provide more insight into the state's CDQ allocation process, a scorecard was issued to each CDQ group with numerical scores in categories constructed around evaluation criteria in state regulations. However, because of the differing characteristics of each group, individual categories were weighted separately and cumulative scores were not issued. Each group also received attached comments with more details about the scores.

As in prior allocation decisions, the state used a bycatch model to determine the non-primary target species allocations. The calculations used for the 2003-2005 CDP cycle were based on individual CDQ groups harvest rates for the period 1998-2001.

The State of Alaska provided a 10-day period for CDQ groups to comment on the state's 2003-2005 CDQ allocation recommendations. The state received comments from all six groups, as well as additional comments from the St. George Tanaq Corporation and City of St. George. Copies of all comments received are enclosed. The state's response to these comments is as follows.

APICDA

APICDA comments that they "found the scorecard very confusing, and in some cases contradictory." While the state admits the scorecard is not perfect, the state compiled the scorecard in an attempt to give the CDQ groups more transparency in the allocation process at the request of the CDQ groups through the CDQ Policy Committee created by the Council. Even APICDA concedes that the scorecard provided the board and management with "meaningful insight" into the state team's perspective on the groups.

The state recommends a reduction of 1% Pacific cod CDQ allocation, as APICDA failed to harvest all their quota in 2000 and 2001 and had the lowest royalty rate among the CDQ groups in 2000. APICDA plans to deliver Pacific cod CDQ to Bering Pacific Seafoods in False Pass, but there were no specific royalty rates provided.

APICDA argues that their Pacific cod CDQ allocation should not be reduced, as other groups did not harvest their entire Pacific cod CDQ allocation in 2000 and 2001. However, in making this

recommendation the state took into consideration harvest statistics, royalty rates, as well as the employment and training benefits that were provided by the vessels that harvest Pacific cod CDQ.

The state recommends a reduction of 2% of APICDA's opilio crab CDQ in response to the lowest royalty rate among the CDQ groups in 2000 and 2001, and APICDA's difficulty in managing their allocations in 1999, 2000, and 2001, as evidenced by their quota overages for three consecutive years. The state also recommends a reduction of 1% of APICDA's Bristol Bay red king crab CDQ in response to significantly lower royalty rates compared with other CDQ groups in 2000 and 2001.

In APICDA's comments, they request an increase in their opilio crab and Bristol Bay red king crab allocations as they feel a reduction will affect the feasibility of the proposed St. George processing facility and will make it more difficult to develop a positive business plan. APICDA also states that they do not believe that their low royalty rate for opilio crab and Bristol Bay red king crab or the fact that they exceeded their opilio crab allocation three years in a row warrants a reduction in their allocation. Although APICDA states they should receive an increase in their crab allocation due to the proposed St. George processing facility, it remains to be seen if the plan will result in a profitable processing facility proposal, due to the high costs of building an onshore facility in St. George. The feasibility study and pro forma presented to the state showed the project would barely be profitable under the most optimistic of projections, including a significant increase in the Bering Sea opilio crab GHL. If a profitable plan can be developed and implementation begun during this allocation cycle, that can and should be taken into consideration during the next round of allocations. Further, APICDA's 2003-2005 CDP contains no specific future vessel acquisition plans into the opilio crab or Bristol Bay red king crab sectors. The state adjusted APICDA's opilio crab and Bristol Bay red king crab allocations after taking into consideration all of the above.

The state is recommending a 5% increase in APICDA's area 4C halibut CDQ allocation in response to St. George fishermen who have demonstrated more need for halibut CDQ quota in area 4C. The 5% increase, from 10% to 15% of 4C halibut CDQ, equates to approximately 150,000 lbs. over the 2003-2005 allocation cycle, which if harvested will provide significant, direct, and immediate benefits to St. George fishermen and the local economy.

APICDA states they have been successful in harvesting their Bering Sea fixed gear sablefish in 2001 and 2002 and requests an increase in their Bering Sea fixed gear sablefish CDQ allocation. While the state would offer a different characterization, no reductions in APICDA's 2003-2005 Bering Sea fixed gear sablefish CDQ allocation are being recommended. The state did, however, recommend a 1% reduction in Aleutian Islands fixed gear sablefish CDQ as APICDA has had difficulty harvesting their allocation in 2000 and 2001. APICDA harvested 23% of their Aleutian Islands fixed gear sablefish CDQ allocation in 2000 and 7% in 2001.

APICDA requested their Bering Sea other red rockfish and Aleutian Islands other rockfish remain unchanged from the previous allocation cycle. The state did not recommend reductions in these two bycatch species; adjustments in all bycatch species were the result of the state's bycatch matrix.

In general, APICDA scored low on several scorecard categories. In their comments, other groups have questioned the link between the scorecards and allocations. As noted in prior testimony before the Council, there is no direct link between the scorecards and allocations, though the scorecards serve as a tool to help the state and the groups identify and recognize problems and issues affecting each group. However, it should be noted that because of the low scores, there

was much debate among the state team concerning whether or not to recommend that APICDA have its pollock CDQ allocation reduced, and certainly other allocation recommendations for APICDA were influenced by the overall poor scores. Nonetheless, it was felt that a reduction in pollock CDQ allocation to APICDA would not be recommended in order to permit the group to address the problems identified. To that end, the state is requiring APICDA to administer, through a qualified independent third party, a thorough management review of the organization to address concerns that were brought to the attention of the state in the 2000 and 2001 annual audits.

BBEDC

BBEDC did not agree with some of their scores, particularly in the Community Regional and Statewide Benefits and Community Outreach and Involvement categories. However, overall they felt the state did a credible job in evaluating the strengths and weaknesses of their organization. BBEDC will be taking into account the scorecard results and will be addressing these areas in the future.

The state recommends an increase of 1% of BBEDC's Pacific cod CDQ allocation, primarily for their successful harvesting rate and attaining the highest royalty rates of the CDQ groups in 2000. BBEDC has a 50% equity interest in the Bristol Leader, which has one of the more impressive performance records among freezer longliners in terms of harvesting efficiency. BBEDC's 2003-2005 CDP addresses future vessel acquisition plans in the Pacific cod sector.

The state recommends a 1% increase of opilio crab and Bristol Bay Red king crab for BBEDC in response to the organization's commitment to harvesting crab, as evidenced by their 40 – 45% ownership interest in four Bering Sea crab catcher vessels and their CDQ royalties during 2000 and 2001.

The state recommends a 1% reduction of BBEDC's Aleutian Islands fixed gear sablefish CDQ allocation and a 2% reduction of BBEDC's Bering Sea fixed gear sablefish CDQ allocation in response to BBEDC's harvest rates in 2000 and 2001.

CBSFA

CBSFA submitted a resolution supporting the state's allocation recommendations. They did not have any substantive comments requiring response.

The state recommends an increase of 1% to CBSFA's pollock CDQ allocation primarily based on the strength of their plan to develop a multi-processing facility in St. Paul. Along with another CDQ group, CBSFA had among the highest pollock CDQ royalty rates in 2000 and 2001. The investment in American Seafoods has produced significant investment returns since the investment was made in 2000. Furthermore, CBSFA has had significant reductions in its pollock CDQ allocation in past allocation cycles, and the team felt an adjustment was appropriate in light of the group's current, more positive, condition.

The state recommends a 1% reduction of CBSFA's Pacific cod CDQ allocation in response to CBSFA's difficulty in harvesting their quota in 2000, although the harvest rates improved in 2001. CBSFA also had the lowest Pacific cod royalty rate among the CDQ groups in 2000.

The state recommends a 1% increase in CBSFA's opilio crab CDQ, primarily in response to their plan for utilizing the quota in the 2003-2005 allocation cycle. CBSFA's Multi-species project in

their 2003-2005 CDP shows promise and with crab rationalization, significant benefits could be delivered to the City of St. Paul through local employment opportunities and an increase in tax revenues.

The state recommends a 3% increase in Aleutian Islands sablefish CDQ quota. Prior to the 2003-2005 cycle, CBSFA has had no quota allocations in this species.

The state recommends a 2% decrease in CBSFA's Bering Sea sablefish CDQ allocation as they have had difficulty harvesting their allocation in 2000 and 2001.

The state recommends a 5% reduction in CBSFA's area 4C halibut CDQ allocation, from 90% to 85%, to accommodate a 5% shift to St. George fishermen.

CVRF

CVRF states in their comments they feel the scorecard resulted in "more questions than clarity and the connection of the scores and rankings to the quota allocations were nebulous." CVRF commented they appreciated "the recognition of their perceived strong points," but that they did not agree with their perceived low scores in the areas of Community, Regional and Statewide Benefits and Community Outreach and Involvement.

CVRF argues that their 27% pollock CDQ allocation request was justified based on their financial performance and economic needs in their region. However, CVRF already receives the most pollock CDQ quota among the groups, and if the state's 2003-2005 recommendations are adopted, the margin between CVRF and the other groups will increase.

The state recommends a 1% increase in CVRF's Pacific cod CDQ allocation, as they have been successful harvesting their quota in 2000 and 2001 and their royalties have ranked close to or above average in 2000 and 2001. CVRF also has significant ownership interests in the Prowler vessels as well as Pacific Longline Company through their American Seafoods investment. CVRF's 2003-2005 CDP addresses future acquisition plans in the Pacific cod sector.

The state recommends a 3% decrease in CVRF's Aleutian Islands sablefish CDQ allocation consistent with their 2003-2005 CDP, in which they only requested an allocation of 27%.

CVRF believes the reduction in Aleutian Islands Other Rockfish was an error and it will negatively affect their Aleutian Islands sablefish fishery harvest efforts. The state did not recommend reductions in this bycatch species; the adjustments in all bycatch species were the result of the state's bycatch matrix.

NSEDC

NSEDC states in their comments that, "the state made a number of errors in the scorecard and its allocation process," including "factual and judgmental errors in the scoring of elements used for allocation," and "the state used as the basis for allocation elements" which were "not authorized in regulation or statute." NSEDC states that if the state would have based its allocation decisions on "NSEDC's population and demographics, its financial performance and the quality and quantity of the benefits to its communities, NSEDC would have received higher allocations." The state disagrees.

Contrary to NSEDC's claim, they are not the most successful group from a financial perspective, although they have shown steady growth. Nor, in the opinion of the state's team, does NSEDC offer more benefits to its residents than other larger CDQ groups. However, there is no question that NSEDC is incurring very high consultant fees and other administrative expenses.

NSEDC argues that the state used invalid criteria in making its allocation recommendations, including the fact that NSEDC has consistently failed to communicate effectively with the state oversight team. However, that criticism was based on at least two incidents where NSEDC failed to work with the state team to ensure that proposed projects were in compliance with program requirements. In fact, NSEDC's failure to get advance full board approval of its purchase of the Mr. B (obtained ratification of NSIC action only), and its repeated failure to ensure that its community benefits distributions are used for fishery-related projects as required by federal regulation, arguably represent program violations justifying allocation suspension. In each of these cases, the state believes that better communication between NSEDC management and the state team could have ensured that these projects complied with necessary legal requirements.

Nevertheless, although suspension of quota was considered, the state team decided that it was better at this time to identify these specific problems and allow NSEDC an opportunity to correct them. The state feels confident that, provided NSEDC accepts that state oversight is a necessary, though distasteful, part of this program, then its management will communicate more effectively to prevent potential program violations in the future.

The state recommends a decrease of 1% to NSEDC's pollock CDQ allocation as they have had among the lowest royalty rates in 2000 and 2001.

The state recommends a 3% increase in NSEDC's Aleutian Islands fixed gear sablefish CDQ allocation as they have been successful in harvesting their quota in 2000 and 2001.

The state recommends a 2% decrease in NSEDC's Bering Sea fixed gear sablefish CDQ allocation in response to difficulties in harvesting the quota in 2000 and 2001.

YDFDA

YDFDA's only substantive comment was a request for further explanation of the relationship between scorecard scores and allocations. As discussed previously, there is no direct link; scorecard scores and comments are designed as a tool to identify concerns and issues for both the state team and the groups.

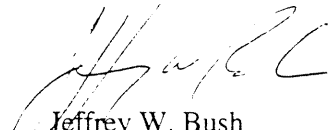
The state recommends a 1% decrease in YDFDA's Aleutian Islands fixed gear sablefish CDQ allocation, as they have had difficulty harvesting their quota in 2000 and 2001. The state recommends a 6% increase in YDFDA's Bering Sea fixed gear sablefish CDQ allocation. YDFDA achieved a high rate of success in harvesting their quota using pots in 2002, and demonstrated a commitment in their 2003-2005 CDP to continuing to use their 100% owned vessel, the Lisa Marie, as the primary harvester.

Many factors are carefully considered during the allocation process. Criteria in state and federal regulations are followed in conjunction with input from a public hearing and private interviews with CDQ groups. The state attempted to provide the groups with more transparency in the allocation process through a lengthening of the private meetings and the use of the scorecard. In

making these recommendations, the state has also taken into consideration all comments received from the groups and others regarding the state's 2003-2005 CDQ allocation recommendations.

I look forward to consulting with the Council regarding these allocation recommendations at the October meeting.

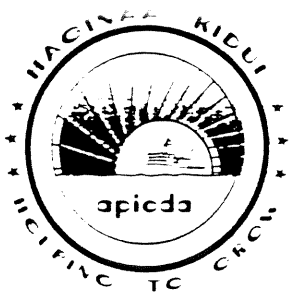
Sincerely,



Jeffrey W. Bush
Deputy Commissioner

Attachments

cc: Governor Knowles
NPFMC members
Chris Oliver, Executive Director, NPFMC
Commissioner Frank Rue, Alaska Department of Fish & Game
NMFS
CDQ Groups
CDQ Team

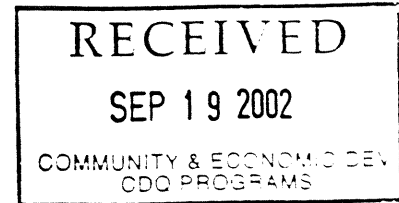


Aleutian Pribilof Island Community Development Association

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September 19, 2002

Mr. Jeff Bush, Deputy Commissioner
Alaska Dept. of Community and Economic Development
P.O. Box 110800
Juneau, Alaska 99811-0800



Re: Comments of State CDQ Allocation Recommendations

Dear Mr. Bush:

Thank you for this opportunity to comment on the State of Alaska's CDQ allocation recommendations for the time period 2003-2005. For the record, these comments have been approved by all of the APICDA board of directors, with the exceptions of Mr. Rick Lauber who is traveling internationally, and Mr. Pete Crandall, who is on a business trip.

Our comments are arranged as follows: state cover letter comments; scorecard comments; and allocation comments.

State Cover Letter Comments

1.) Management Review: We look forward to a management review, and trust the state will provide guidance so we can properly arrange it. Additionally, we need to know if we should focus the review team on anything that is not apparent in the written record pertaining to the allocation process.

2.) Revision to CDP: We will submit a modified CDP as requested.

Score Card Comments

We found the scorecard to be very confusing and, in some cases, contradictory. Nevertheless, it does provide our board and management with meaningful insight into the CDQ team's perspective of APICDA and the other groups. We are very concerned about some of the team's comments, and feel they are incorrect, but we will address them on a case by case with the team individually.

APICDA. A letter from the board that addresses this issue is attached. It is clear that a great chasm exists between the state's perception of how APICDA functions, and reality.

Allocation Comments

1.) Opilio and Bristol Bay Red King Crab: We believe the state is making a serious error by proposing to reduce APICDA's opilio and Bristol Bay red king crab allocations. St. George Island has been declared a federal disaster due to the collapse of the crab stocks and the attendant impact upon its economy. The City of St. George is unable to pay its bills because there is no tax revenue. The only source of tax revenue is from commercial fishing, crab in particular. There has been no processing in St. George since April of 2000.

The proposed plant in St. George would be a joint venture between APICDA and one or more major Bering Sea crab processing companies. The experience of the crab processing companies will be utilized in the design and management of the company and the plant. Without the concurrence of these companies as partners and/or participants, construction of a facility will not move forward. Their judgement as to the viability of a facility is paramount. The state should recognize the expertise of these companies in this regard. Failing to provide APICDA with an increase in our crab allocations, much less a reduction, simply makes it much more difficult for APICDA to positively participate in ongoing negotiations.

The state's initial allocation of crab to APICDA does not appear to comport with St. George Islands proximity to the resource. This criteria was adopted by the NPFMC as a specific criteria at its June meeting. In addition, Mr. Bush, in a letter to APICDA in August, 2002, announcing the use of the state's scorecard, specifically said "proximity to the resource" would be applied as a criteria.

During the private meeting with the state, we presented a document purporting to be a feasibility analysis for a plant in St. George. As we mentioned at the time, this was a very preliminary analysis that should not be relied upon for any reason other than to see the extent to which volumes of crab had an impact upon a processing facility. The analysis only contained one species, was incomplete in terms of costs, did not take into account the value of secondary processed products (scored claws, etc.) that can be processed in a rationalized fishery, and had not been vetted in-house or through our potential private sector partners. We provided the document in an effort to show that we would move forward with the proposed plant in St. George in a much more deliberative and analytical manner than we had done in False Pass. Apparently, the effect was quite the opposite of what we intended. As a result, we erred in providing the state with the document.

We request the CDQ Team not penalize APICDA for that document. Rather, we ask you to focus on the current situation in St. George and the potential for the community if a processing facility can be constructed. We are working jointly with two very respected processing companies with years of experience in the Bering Sea crab industry. We will not construct a

processing plant if our ROI is projected to be 1.5%, nor would our proposed partners invest in such a facility.

APICDA has always been willing to work with CBSFA. A processing facility in St. Paul does little, if anything, for St. George. We refer you to the attached letters from the City of St. George and the St. George Tanaq Corporation.

Crab royalties are paid by the harvesting vessel and its crew. In determining royalty rates we pay attention to the value of the resource, the condition of the resource, the status of the industry, the needs of our facilities and vessels (when we are harvesting and/or processing CDQ by or with APICDA wholly-owned assets), and the impact of the royalty upon the long-term relationship with our harvesting and processing partners. We do not believe the difference between our royalty rate and the rates of other groups warrants a reduction in our crab CDQ allocation.

Many groups have exceeded their CDQ allocations at different times. Historically, APICDA has exceeded its allocations a total of six times in all fisheries. We reported overages in the opilio fishery during the three years mentioned – two of which occurred prior to the current allocation cycle. The overages were 0.26% in 1999, 0.1% in 2000, and 0.8% in 2001. We paid our fines, and did not exceed the allocation in 2002. This does not seem to be an appropriate reason to reduce our allocation.

We request the state provide an increase in our opilio and Bristol Bay red king crab CDQ allocations.

2.) Bering Sea Sablefish: Several years ago when APICDA and YDFDA were joint investors in the F/LL Rebecca B, both CDQ groups began to focus on the use of longline pots in the Bering Sea for the harvest of sablefish. Both YDFDA and APICDA purchased longline pots over the years. Apparently both groups have made significant progress in developing this fishery.

In 2001, APICDA harvested 84% of its Bering Sea sablefish fixed gear CDQ allocation (43,192 pounds harvested) using longline pots. In the same year, YDFDA harvested 36% of its Bering Sea sablefish fixed gear CDQ allocation (30,629 pounds harvested, according to YDFDA's fourth quarter, 2001, quarterly report).

In 2002, using a vessel owned 100% by AVI (the F/V Konrad 1), APICDA harvested 100% of its Bering Sea fixed gear CDQ. In addition, the Konrad 1 harvested half of its Bering Sea trawl sablefish CDQ (the remaining amount, six mt, is set aside for bycatch in trawl fisheries), and has continued harvesting IFQ Bering Sea sablefish owned by AJV. The total Bering Sea harvest in 2002 by the Konrad 1 is currently 109,822 pounds, with fishing continuing. The entire harvest has been with longline pots, a fishery that **BOTH** YDFDA and APICDA have pioneered.

YDFDA received an increase in their Bering Sea sablefish allocation of six percent. APICDA had no change.

As explained during the state meeting, CDQ sablefish is an important species for Bering Pacific Seafoods. Sablefish is a high value species, with good margins. It is APICDA's intent to expand our Bering Sea sablefish harvest in the future using our own vessels, with deliveries to BPS. This CDQ would be of great benefit to both the Konrad 1 and the Bering Pacific Seafoods facility.

We request the state provide an increase in our Bering Sea sablefish CDQ allocation.

3.) Pacific Cod: The state's initial recommendation is to reduce our Pacific cod allocation from 16% to 15%. The state similarly reduced CBSFA by one percent, and increased BBEDC and CVRF by one percent each. Apparently, the justifications (found in the scorecard comments) are that APICDA did not harvest all of its cod CDQ in 2000 and 2001, and had the lowest royalty rate among the groups in 2000 – the last year of the previous allocation cycle.

Several groups failed to harvest all of their Pacific cod CDQ in 2000 and 2001. In fact, BBEDC and NSEDC appear to be the only groups that managed to harvest their cod CDQ in 2001. In both years, sea lion related issues contributed to the difficulty for most of the groups in harvesting their cod. The RPAs in effect at the time resulted in substantially lower trawl cod catches in the first half of the year, in turn providing significant TAC rollovers to fixed gear in the fall. As a result, most CDQ fishing occurred later in the year and time ran out. That is not the case for 2002.

As near as we can tell from fourth quarter, 2001, reports, YDFDA left 713 mt of cod CDQ unharvested, APICDA left 414 mt unharvested, and CVRF left 204 mt (we could not identify the amount left by CBSFA). It seems inconsistent to reduce APICDA's CDQ allocation by one percent, transfer it to another CDQ group that also had a significant amount remaining, yet not to reduce the allocation for a third CDQ group that left more CDQ cod on the table than APICDA and CVRF combined.

On May 24, 2002, APICDA sent a letter to the state addressing royalty issues. Since APICDA and CVRF have the same royalty agreements, it is befuddling why our respective royalties are different. There are issues raised in the May 24 letter that may provide a partial explanation. We request our previous allocation of 16%.

4.) Bering Sea Other Red Rockfish: The state reduced APICDA's allocation from 23% to 18%. This will affect our ability to harvest cod and pollock. We assume the reduction is a result of the bycatch model used by the state. We have not had the opportunity to review the model, but believe it is in error in this area. We request our previous allocation of 23%.

5.) Aleutian Islands Other Rockfish: The state reduced APICDA's allocation from 23% to 21%. This will likely affect our ability to harvest Atka mackerel. We are already experiencing a shortfall of other rockfish in our mackerel fishery this year, and have had similar experiences in the past. We assume the reduction is a result of the bycatch model used by the state. We have not had the opportunity to review the model, but believe it is in error in this area. We request our previous allocation of 23%.

Again, we thank you for the opportunity to provide these comments. If you have any questions, please contact us.

Sincerely,


Larry Cotter, CEO

Cc: APICDA Board of Directors

Attachments: Board of Directors Letter
City of St. George Letter
Tanaq Corporation Letter

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September 15, 2002

Jeff Bush, Deputy Commissioner

DCED

State of Alaska

PO Box 110800

Juneau, Alaska 99811-0801

Re: APICDA 2003-2005 CDQ Allocations

Dear Deputy Commissioner Bush,

The City of St. George totally disagrees with the recent decisions by the CDQ review team with regards to APICDA.

One of the cornerstones of the Community Development Program has been the mandate to develop sustainable local economies. We believe that APICDA has done an outstanding job with investment in the local communities of APICDA. APICDA's past multimillion-dollar investments in the St. George Harbor was to build the local economy and community infrastructure. That commitment to investment locally in St. George has allowed the St. George Harbor to operate more efficiently and has allowed us to seek private sector investment in a shore based processing plant that would operate virtually year around. The St. George Harbor, like all APICDA's communities, is not frozen in 9 month's of the year like virtually all of the western Alaska CDQ communities where shore based investment are suspect at best. Without APICDA's involvement the development of a shore side processing plant would be virtually impossible by the local entities.


The CDQ review team suggests that APICDA work with St. Paul on a shore based processing plant. Quite frankly the politics of St. Paul make that suggestion laughable and impossible. We are aware of 2 competing processing plant concepts in St. Paul -the Tribal Government/TDX Group and CBSFA at the alter with no partner, no land which to develop a plant and the recent spring of 2002 endorsement by CBSFA of the Tribal Govt./TDX plant that was then retracted. The City of St. Paul lawsuit over land and tidelands against TDX has put a cloud over all land transactions and development that are adjacent to the harbor. That lawsuit has been going on for years and apparently is going to be appealed to the 9 Circuit Court of Appeals with no end in sight.

The State's recommendation is viewed with incredulity by the St. George leadership. We view it as an insult to our community and reminds us of the dark days of the Federal Government's policy of termination of the St. George Community when families were forcibly evicted from their homes and moved from the island —, their homes were then bulldozed and burned to the ground. It seems that The State of Alaska has made a decision that APICDA's investment's in St. George are not warranted and should not proceed at all, that APICDA should instead invest offshore and in other communities that are not a part of APICDA's group. -The State of Alaska seems to be advocating a policy for St. George that the \$40 million in Local, Federal and State investment in our harbor, our successful participation in the Opilio Crab Fishery, the Raw Fish Tax generated to the State of Alaska and the job creation to tell the St. George Community should be ignored. We suggest that you look at the title to your own department "Community and Economic Development" and we wonder if you are fostering those beliefs.

APICDA recently completed a preliminary feasibility analysis of a shore-based plant in St. George. That analysis is the first step in a process we believe will culminate in a shore based plant being built in St. George. APICDA came under criticism over the False Pass investment and APICDA's management was doing due diligence by commissioning the feasibility study of the St. George Processing Plant. We are aware of two potential investor's outside of APICDA, who are interested in the St. George Plant, they obviously will not sink their dollars into a losing proposition. We are miles ahead of the schemes and dreams of St. Paul and have been highly regarded as the place to do business in the Pribilofs because of our reputation as a low cost producer and a favorable business climate.

To summarize we ask that you review your recent decisions and increase the crab CDQ allocation to APICDA. That allocation is critical to the future of our community. If I can be of further assistance please do not hesitate to contact me.

Best Regards,
City of St. George


Alvin Merculief
Mayor

Cc: City Council
St. George Fisherman's Association
St. George Tanaq Corp.
St. George Traditional

ST. GEORGE TANAQ CORPORATION

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September 13, 2002

Mr. Jeffery W. Bush
Deputy Commissioner
State of Alaska
Department of Community and Economic Development
PO Box 110800
Juneau, Alaska 99811-0800

Via Fax and First
Class Mail

Dear Mr. Bush:

We are in receipt of the State of Alaska DCED's recent evaluation of APICDA and would like to express our dismay and concern about the direction your department is taking with regard to APICDA and the future of the St. George community.

We are currently involved in very sensitive discussions with established processing companies that are interested in constructing a small scale multi-species plant at St. George, and we were, quite frankly, taken aback by the State's decision to reduce APICDA's Opilio and Red King crab allocations. Such an action, taken at a time when the St. George community needs the State's support the most, is incomprehensible. For your information, we are diligently working towards construction of a plant at St. George commencing in FY2003. The reduction of APICDA's allocation will make this goal that much harder for us to accomplish.

To be direct, it's our understanding that the CDQ program was established by the North Pacific Fishery Management Council to support the attainment of economic self-sufficiency for coastal communities. Reducing APICDA's allocation sends a clear message that the State does not have a reasonable understanding of the development work that has been undertaken at St. George, nor does your CDQ team appear to have even a remote understanding of the economic realities of life in the St. George community. Perhaps that's because the CDQ team has spent so little time at St. George, or even in Anchorage, interacting with community leaders.

The comments made by the CDQ team as they relate to the community of St. George are illuminating by their lack of perspective. To wit, "[APICDA] need(s) to be realistic in considering the feasibility of various projects (eq. St. George)" and the "St. George project needs to be coordinated with St. Paul with consideration to joining CBSFA in their multi-species processing project." Please consider these comments for a moment. You may recall that there are 40 miles of rough Bering Sea waters between St. George and St. Paul. What is the State's desire? Help the community to be self-sufficient or have everyone at St. George simply pack their bags and move to St. Paul to

Mr. Jeffery Bush
September 10, 2002
Page -2-

work in CDSFA's processing plant. We submit to you that having only one processing facility in the Pribilofs, located at St. Paul, is an absurd premise and one with dire consequences for the people of St. George.

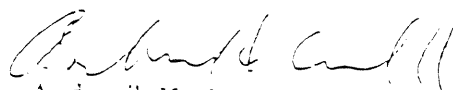
We'd like to set the record straight. APICDA's various investments in St. George have been made in good faith for the long term benefit of the community. To suggest otherwise is a great disservice to all of us who have worked so hard, for so long, to develop the St. George economy. While others have withdrawn, APICDA has continued to support us. This, in our opinion, is why the CDQ program was established. To make the long-term capital investments, and to provide the technical and political assistance, necessary to help our community attain self-determination. APICDA's support has been a godsend.

It's ironic that the primary economic goal of the St. George community has been to promote construction of a multi-species processing facility at Zapadni Bay with APICDA's kind assistance, yet the CDQ team is telling the State of Alaska and APICDA not to build a plant at St. George. Certainly you can see the conundrum. We have industry partners lined up to invest in St. George and the State's actions threaten to undermine all that we have worked to achieve.

We would like to provide you with our perspective on the position the CDQ team is taking on our behalf, yet without our input, and would like to meet with you at your soonest possible convenience to discuss this matter in greater detail.

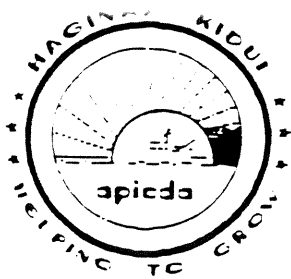
Very truly yours,

St. George Tanaq Corporation



Andronik Kashevarof, Jr.
Vice President of Operations

bc



Aleutian Pribilof Island Community Development Association

234 Gold St. • Juneau, Alaska 99801 • (907) 586-0161 • 1-888-9APICDA • Fax (907) 586-0166
— Unalaska Office: P.O. Box 208 • Unalaska, Alaska 99685 • (907) 581-5960 • Fax (907) 581-5963

September 16, 2002

Mr. Jeff Bush
Deputy Commissioner
Alaska Department of Community &
Economic Development
Post Office Box 100800
Juneau, Alaska 99811-0800

Dear Mr. Bush:

This letter is in response to you scorecard comment, "Concern of our lack of participation by in-region Board of Directors in the strategic direction of the Organization. Juneau based consultants and Non-CDQ resident Board Members are primary forces within the organization."

This statement is an insult to the Board of Directors. We read this as the State saying: the Board does not understand what is going on at the Board level. The opposite is true: All the Board Members participate, and many times length in discussing the issues that come before the Board. We have an Executive Committee Meeting once a month to keep everyone updated between the Quarterly meetings.

The Reason Larry and Joe act on behalf of the Board is that when there is an issue(s) to be discussed the office will fax the information to the all Board Members and get feed back before making their comments to the State or making a decision to move forward on a project. If there is an issue that the Executive Committee feels the whole Board needs to be involved, we have a teleconference to discuss the matter at which time the whole Board may, if appropriate, take action.

The Reason we do not contact the State ourselves is that we, The Board of Directors, are satisfied and trust Larry and Joe to do a good job on getting the Board's comments across.

It may seem like there is not a lot of participation at the board meetings, but if you understand the Aleut Culture you know that that the Aleut People most often are not outspoken people. This does not mean however, that they do not understand the issue. The People on the Board will often have small group discussions on the issue(s) during the meetings. So everyone is informed and understands the issue(s) when it comes time to make a decision.

The Board Members sees APICDA as an important player in the survival of our Communities. There is not one Member that take his / her job lightly.

Thank you for you time. We are looking forward to hearing from you soon. If you have any questions or comments you can call Gilda M. Shellikoff at 907-548-2227 to fax to 907-548-2240.

Sincerely,



Gilda M. Shellikoff
Chair APICDA



Justine Gunderson-Pride
Chair APICDA
Joint Ventures, Inc

Enclosed: Attachment

cc: Larry Cotter & Joe Kyle

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Thank you for your time. We are looking forward to hearing from you soon. If you have any questions or comments you can call Gilda M. Shalikoff at 503-848-2227 or fax to 503-548-2210.

Sincerely,



Gilda M. Shalikoff
Chair APICDA



Justine Gundersen-Price
Chair APICDA
Joint Ventures, Inc

Enclosed: Attachment

Cc: Larry Collier & Joe Ryle

Arnold Dushkin _____

Hugh Pelley _____

Emil Benikoff _____

Rick Lauber _____

Jeff Kashevirof _____

Pete Crandall _____

Lawrence Prokopenoff _____

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- L. Prokopoff

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Thank you for your time. We are looking forward to hearing
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can call Gilda M. Shallikoff at 907-688-2237 or fax to 907-
548-2240.

Sincerely,



Gilda M. Shallikoff
Chair APICDA



Julie Gunderson-Price
Chair APICDA
Joint Ventures, Inc

Enclosed Attachment

cc: Larry Corcoran & Joe Spide

Arnold Dushkin _____

Jeff Kuehner ref _____

Hugh Pelkey _____

Pete Crandall _____

Emil Berikoff _____

Lawrence Prokopoff 

Rick Lauber _____

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Alutic Area Tribe

BCC

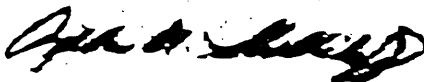
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The Board Members trust APICHA as an important player in the survival of our Communities. There is not one Member that takes his / her job lightly.

Thank you for your time. We are looking forward to hearing from you soon. If you have any questions or comments you can call Gilda M. Shellikoff at 907-548-2227 or fax to 907-548-2390.

Sincerely,



Gilda M. Shellikoff
Chair APICHA



Justice Oundersen-Price
Chair APICHA
Joint Ventures, Inc

Enclosed: Attachment

CC: Larry Cotter & Joe Kyle

Arnold Dushkin _____

Jeff Karbevarof _____

Hugh Pelkey  _____

Pete Crandall _____

Erni Benikoff _____

Lawrence Prokopouff _____

Rick Lauber _____

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IKO FISHERMAN'S ASSC
NIKOLSKI FISHERMAN'S ASSN

PAGE 21

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APICHA

- Arnold Bushnell

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We, The Board of Directors, are criticized and Frank Larry
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take his / her job lightly.

Thank you for your time. We are looking forward to hearing
from you soon. If you have any questions or comments you
can call Gilda H. Shaliboff at 907-546-5127 to fax to 907-
546-2940.

Sincerely,



Gilda H. Shaliboff
Chair APICHA



Justine Gunderson-Price
Chair APICHA
Saint Vincent, Inc

Enclosed Attachment

cc: Larry Cottar & Joe Ryle

Arnold Bushnell



Jeff Kashner

Hugh Pelroy

Pete Crandall

Emil Benikoff

Lawrence Prokopoff

Rick Lauber

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546-2240.

Sincerely,



Gilda M. Shellikoff
Chair APICDA



Justine Gunderson-Pride
Chair APICDA
Joint Ventures, Inc

Enclosed: Attachment


CC: Larry Cottar & Joe Kyle

Arnold Dushkin _____

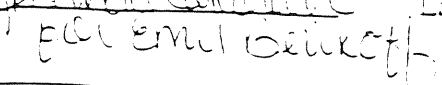
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Hugh Pelkey _____

Pete Crandall _____

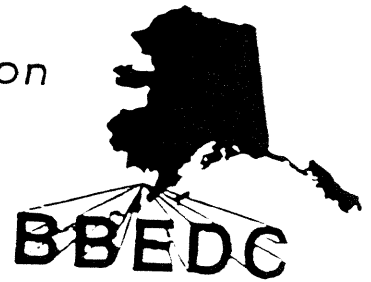
Emil Benkov 

Lawrence Prokopev _____

Rick Lauber 

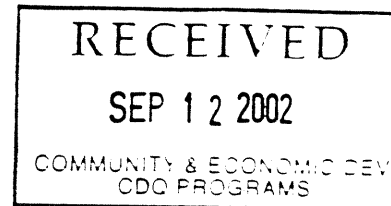
Bristol Bay Economic Development Corporation

P.O. Box 1464 • Dillingham, Alaska 99576 • (907) 842-4370 • Fax (907) 842-4336 • 1-800-478-4370



September 12, 2002

Alaska Department of Community
And Economic Development
P.O. Box 110809
Juneau, Alaska 99811-0809



Dear Mr. Cashen,

On behalf of the Board of Directors of BBEDC, I would like to provide the State of Alaska CDQ Oversight Team with our comments as they relate to the 2003-2005 CDQ allocations. This letter along with the State's cover letter, scorecard and scorecard comments will be provided to the BBEDC Full Board September 27, 2002.

First off, the process used in awarding the 2003-2005 allocations to the CDQ groups was much improved compared to years past. The institution of the scorecard was very innovative and useful, not only for BBEDC but I am sure for all CDQ groups. It showed areas of weakness that each of us needs to improve upon as well as our strengths.

BBEDC is pleased with the outcome of this round of allocations and is very appreciative of the fact that we experienced increases in crab, cod, "other species" as well as flathead sole. I understand our losses of sablefish and turbot and the awarding of YDFDA's increase of these species. YDFDA has done a great job with these low-volume, low-value species and awarding them more sablefish and turbot is justified. BBEDC will continue working on programs that will fully utilize these species in the future.

The State's scorecard consisted of six criteria. We identified some overlap within these six criteria and believe that these overlap areas need to be addressed in the future. Though the six criteria are not weighted equally, BBEDC appreciates your apparent vote of confidence in the Board's adopted programs.

BBEDC scored #2 out of six, overall. We are very pleased with this result. However, we will walk you through the six criteria from the eyes of BBEDC and provide you with comments on each one:

1. **Population & Economic Need:** BBEDC scored 7.3. we believe this was fair.
2. **CDP Achievement:** BBEDC scored 8.3, and are again pleased with this score.
3. **Community Regional & Statewide Benefits:** BBEDC scored 5.3. We disagree with this score. BBEDC has instituted a process within BBEDC that creates a

multi-level of scrutiny of any investment BBEDC's due diligence process of investments is a long, costly and laborious task that the Board has deemed necessary for our survival. BBEDC's return on investment, speaks for itself. We will put our return of invest up against any other CDQ groups return. We feel that we have met or exceed all of our milestones as presented in our annual audits. Our employment and training program is at or near the top of all CDQ groups and we know we are doing a good job in this area, of all areas we should have been given more credit it is in this area. Fisheries and Related social economic benefits. No CDQ group faces in-region salmon fisheries issues on the magnitude that BBEDC does. Six commercial fishing districts spread out over a large geographic area, 2800 CFEC permit holders or 25% of all the CFEC permits in the State of Alaska. Largest sockeye runs in the world as well as unreliable salmon forecasts. Disaster after disaster for the past five years. BBEDC is committed to making the Bristol Bay salmon fishery economical for resident fishermen by improving quality, sourcing new markets as well as new product forms. This is no small task and is going to require major capital. BBEDC has started this process. BBEDC has supported and sponsored many Bristol Bay residents on various State, Federal and International Boards that create policies that may affect the Bristol Bay region or the State of Alaska, was this fact overlooked?

4. Community Outreach & Involvement: BBEDC scored 6.7. This score I believe is low. The Board of BBEDC has discussed this issue extensively and is building on and looking for innovative ways to engage our people and communities on programs and matters of BBEDC. Remember the old saying, "you can lead a horse to water but you cannot make him drink" sometimes I believe this is the case. BBEDC will continue looking at various way to "spread the word" about BBEDC.

5. Management Effectiveness: BBEDC scored 7. We are pleased with this score, but will continue to build on it.

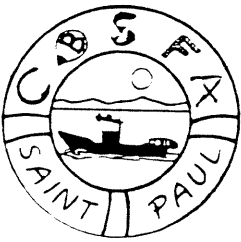
6. CDQ Program Standard: BBEDC scored 8 on this one. Again we are pleased with this score.

In closing, BBEDC feels the CDQ team did a credible job of evaluating the groups as represented by the scorecard, and that the allocations track reasonable well. BBEDC will be addressing the areas where you imply that our efforts don't measure up, and anticipate doing substantially better during the next evaluation. Thank You.

Sincerely,



H. Robin Samuelsen Jr.
President



CENTRAL BERING SEA FISHERMEN'S ASSOCIATION

Post Office Box 288 ▲ St. Paul Island, Alaska 99660 ▲ Phone (907) 546-2597 Fax (907) 546-2455

RECEIVED

SEP 19 2002

COMMUNITY & ECONOMIC DEV.
CDQ PROGRAMS

RESOLUTION 02-04

A RESOLUTION OF THE CENTRAL BERING SEA FISHERMEN'S ASSOCIATION (CBSFA) APPROVING THE STATE OF ALASKA'S 2003-2005 MULTI-SPECIES AND ASSOCIATED CDQ ALLOCATION RECOMMENDATIONS ISSUED ON SEPTEMBER 9, 2002.

WHEREAS the State of Alaska CDQ Team has issued allocation recommendations for the 2003-2005 multi-species CDQ allocation period; and

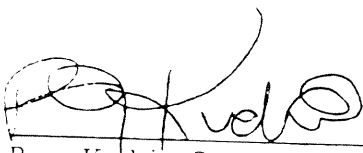
WHEREAS, the allocation recommendations and scorecard comments acknowledge that CBSFA's Multi-Species Development Plan will promote development of a diversified fisheries-based economy for St. Paul Island, the Pribilof Islands and Bering Sea region; and

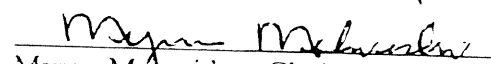
WHEREAS, the allocation recommendations and scorecard comments also acknowledge CBSFA's local halibut fishery program is very strong; and

WHEREAS, the allocation recommendations and scorecard comments also acknowledge CBSFA's "fiscally prudent" management and continued efforts to develop in-house management.

NOW THEREFORE BE IT RESOLVED THAT the CBSFA board of directors approves the State of Alaska's 2003-2005 Multi-Species and Associated CDQ Allocation Recommendations and urges the North Pacific Fishery Management Council and the National Marine Fisheries Service to approve the allocation recommendations at the earliest possible date.

PASSED AND APPROVED BY A DULY CONSTITUTED QUORUM OF THE BOARD OF DIRECTORS OF THE CENTRAL BERING SEA FISHERMEN'S ASSOCIATION THIS 18th DAY OF SEPTEMBER, 2002, BY A VOTE OF 7 FOR AND 0 OPPOSING AND 0 ABSTENTION(S).


Rena Kudrin, Secretary


Myron Malovidov, Chairman



Coastal Villages Region Fund

711 H Street, Suite 200 • Anchorage, Alaska 99501 • Phone 907 278 5151 • Fax 907 278 5150

RECEIVED

SEP 19 2002

COMMUNITY & ECONOMIC DEV.
CDQ PROGRAMS

September 19, 2002

Jeffrey W. Bush, Deputy Commissioner
State of Alaska, Department of Community and Economic Development
Office of the Commissioner
PO Box 110800
Juneau, AK 99811-0800

RE: 2003-2005 Multi-species and Associated CDQ Allocation Recommendations

Dear Mr. Bush:

In your letter dated September 9, 2002, you forwarded the State's 2003-2005 CDQ allocation recommendations, and asked Coastal Villages Region Fund (CVRF or Coastal Villages) to provide comments. Coastal Villages respectfully submits the following comments regarding the State's allocation recommendations and scorecard.

Overview

CVRF has been confident in the State CDQ team's oversight capability to make and change allocations. In our testimony and in our actions we have supported the State's ability to allocate based on performance. The scorecard for the 2003-2005 allocation cycle was an interesting attempt to make the allocations more transparent and objective. However, we believe the scorecard has resulted in more questions than clarity, as:

- 1) It appears that the scores and rankings were not based on all of the facts, and;
- 2) The connection of the scores and rankings to the quota allocations is nebulous.

Scorecard

We appreciate the recognition of our perceived strong points, and wish to elaborate on the perception of our weaknesses. CVRF's relatively low scores in two areas, "Community, Regional and Statewide Benefits" and "Community Outreach and Involvement", are not weaknesses at all but rather accomplishments to be held up as examples. CVRF's community development plan (CDP), milestones, quarterly reports, and testimony all clearly communicate our performance in these areas. Coastal Villages uses a forward thinking and proactive approach to conduct its activities. This approach can be difficult to score and evaluate in ways that fit into a box or standardized scheme. The realities of each issue scored low in the State's scorecard are discussed below.

Management Effectiveness – “Very high board expenses and per diem rate”

Board Expenses-Stipends - CVRF has the largest board in the CDQ program due to two factors: 1) CVRF represents twenty communities, more than any other CDQ group, and, 2) CVRF is structured to provide all twenty of our CDQ eligible member communities the opportunity to be involved in the various decision-making processes of the organization, and to participate and learn the nuances of the Bering Sea fishing industry. This involvement and participation is the most important factor in CVRF's current position in the industry, and will continue to be a key to the future success of our company. The direct involvement of each village, through its elected representative to our board, provides a voice for every community to actively participate in the activities and decisions of the Company at the board level, and provides the best opportunity for clear and direct communication of company policies, programs and opportunities back to the communities. The fact that CVRF bylaws provide for a governing board made up of community residents (interpreted as men and women domiciled in the communities) contributes to the effectiveness of the community voice, and the flow of information between management and the board (communities). It is clear that the board is one of our strongest and most effective tools for outreach to our member communities.

Anyone who has spent any length of time in the CVRF region, and attempted to conduct business there, knows that the area is lacking in basic infrastructure and resources. The needs of the region are great, and these needs put a tremendous amount of stress and pressure on what little infrastructure and scarce resources are available. This is true not only for community infrastructure (water, sewer & solid waste systems, transportation, energy systems, communication, housing, health care, local government & public safety, housing and education) and natural resources, but for human resources as well. The CVRF Board of Directors has set their compensation levels to balance the Company's needs for community involvement and participation with the availability of local talent ready, willing and able to take time away from their families, careers and lifestyles to make the time commitments necessary to best serve their community and the Company.

The average compensation of individual board members is commensurate with the services provided to the Company, and is well within industry standards. While the nominal amount of dollars spent for Company governance, including the board of directors, has increased in recent years, the ratio of expense to Company activity has actually remained constant, or is declining, depending on the measurement method.

<u>Board expense as a ratio of:</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Net assets	0.7%	1.3%	1.7%
Royalty revenues	3.6%	4.0%	3.5%
Consolidated revenues	2.1%	2.0%	2.4%
Consolidated operating and capital expenses	5.1%	5.7%	5.0%

Board Expenses-Travel – Travel within our region requires travel by air. Airfare for twenty board members is extremely expensive in western Alaska, evidencing yet again the need for basic and affordable infrastructure in the CVRF region. CVRF management believes that the benefits to the Company as described in the above paragraph more than

adequately justify the expense of travel to and from board meetings. We utilize our corporate travel coordinator to help reduce travel costs wherever practical, and teleconferences are used when possible.

Board Expenses-Per Diem - CVRF uses the per diem rates set by the federal Per Diem Committee to provide effective and efficient reimbursement of individual board members' expenses associated with company business travel. These rates are updated annually to help ensure their accuracy, and are a result of an extensive, on-going information gathering process. The CVRF Board of Directors believes that these rates balance the needs of board members to be fully reimbursed for out-of-pocket expenses associated with company travel with the needs of the Company for accountability.

Community Outreach

The Coastal Villages Board of Directors plays a large part in the outreach activities of the Company. The involvement of each community in the decision making process of CVRF, directly through elected representatives, provides a voice and a means for information sharing for every community in the CVRF region. Not only are the board members elected officials, they also act as liaisons to the community, both relaying corporate information back to residents and forwarding project requests and comments to CVRF staff.

In addition to the powerful outreach tool that the Board represents, CVRF also uses many other activities to get information to our residents. These activities can be both formal and informal, and often rely at least in part on the most powerful form of communication and advertising, word of mouth. Examples of such activities include, but are not limited to, the following:

- Offered program services through CVRF program delivery, including Fisheries Support and Development projects (salmon, halibut & herring programs, loan programs, tax & permit assistance programs), 4-SITE (Scholarships, Internships, Training & Employment), and related support services (Junior Achievement, Youth Leadership, and READ [Rural Education Adult Development]).
- Provided employment for almost 400 people, including over 380 residents from the CVRF region and neighboring communities, who earned almost \$4.1 million in gross wages from January 2001 through July 2002.
- Provided a buying outlet as the only fish buyer in the region for salmon and halibut for nearly 400 fishermen in the region, paying \$1.15 million directly to region fishermen from January 2001 through July 2002.
- Provided opportunities for fishermen to directly participate in various Bering Sea fisheries, either as fishermen, crewmen or in fisheries related businesses.
- Newspaper articles, employment ads, newsletters, annual reports, community bulletins and radio programs announcing CVRF program opportunities and activities;
- Donation of hats, backpacks, portfolios, jackets, t-shirts, pens, etc., all prominently displaying CVRF corporate logos;
- Presentations to CVRF region community meetings and public gatherings;
- Direct contact and discussions with community residents;

- Development and maintenance of the CVRF corporate website;
- Invitations to village leaders to attend CVRF board training workshops and board meetings;
- Recruitment for CVRF and partner employment opportunities;

The activities listed above represent broad categories of outreach. For a more complete listing of CVRF community, regional and statewide benefits, and the resulting community outreach of CVRF activities, please see the attached list, and CVRF quarterly reports.

Community Involvement

Community involvement is the centerpiece of decision-making at CVRF and occurs on both a formal and an informal level. The participation of CVRF communities in the decisions of their CDQ group starts at the top of the company with the Board of Directors. Only those domiciled in our member communities may serve as voting Board members. This requirement ensures that community involvement is at the core of our corporate governance, and commitment to this is evident in milestones, surveys (CT), the CDP, and Board actions.

The CVRF Board of Directors is committed to community involvement. They have directed that CVRF's executive director attend meetings with the governing body of each of the twenty member communities. This directive exemplifies the fact that community involvement is a high level priority at CVRF. The Board has also placed specific duties upon itself to strengthen community involvement by providing a summary of CVRF Board activities to the local governing body even before the formal minutes of a meeting are complete. Community residents forward project and program requests to CVRF staff through their community representatives (board members). All of these things combine to make the Coastal Villages Board of Directors an extremely powerful outreach tool.

Our local plant operations are successful only because of the involvement of local residents. Without local fishermen, processors, and spokesmen, the CVS plants would not function at the high level currently enjoyed. We have made it our goal for there to be no difference between the entity of the CDQ group and the community, and we are succeeding. The two are and will be the same. When the plant runs out of water, Coastal Villages is out of water, and we find the solution together. This particular fact was illustrated to the State CDQ team when Lamar Cotten attended a meeting of a community tribal council to solve this very issue. The State CDQ team lost knowledge of these activities as a result of turnover. This is one of many issues contributing to an erroneous score.

Informally, it should be noted that our Board and staff receive numerous communications throughout a particular year from various community residents. Through employee post-season interviews, discussions with those placed in jobs with our partners, informal fishermen consultations, newspaper articles, village meetings, community projects, etc., this involvement becomes part of the mindset of staff members who field these communications. We not only answer the phone at Coastal Villages, we incorporate the thoughts of those community members in our thinking as we go forward.

Benefits to the Communities, Region, and State

CVRF has become the largest CDQ group in the program. The impact we have on our member communities, the region, and the State reflect that size. The amount of direct program expenditures and the expenses and investments made at the subsidiary level are one measure of the benefits provided by CVRF. Other benefits are not measurable in dollars and are difficult to quantify, evaluate, and report. On both fronts it is difficult to conclude why CVRF was not given a high score in this area.

Coastal Villages now has offices throughout the CVRF region, in Anchorage, in Bethel, and even in Juneau. Coastal Villages Crab has invested in a crab vessel that is home ported in Kodiak. This vessel provides benefits to Kodiak through crewmember slots and the management support provided by a local Kodiak company. Likewise, Coastal Villages Longline has invested in three freezer-longline vessels managed from Petersburg, which also generate economic activity there and throughout Alaska. Other vessels owned or leased by CVRF have an economic impact in Seward and Dutch Harbor as well as many ports in between. CVRF's largest investment, American Seafoods, takes proceeds earned from fisheries in Alaskan waters and turns them away from flowing to other states and countries and directs them towards the communities in our state. Having the natural owners, Alaskans, own these types of companies will help the Alaska economy, allowing the people to reap more benefit from the fisheries located closest to their communities.

Benefits also flow to the State from the operations of our local fisheries in salmon, halibut, and herring. Cannery workers have been identified as the number one job in Alaska filled with non-residents. This has been an on-going issue since the salmon industry entered Alaska over 100 years ago. The salmon and halibut programs operated by Coastal Villages Seafoods have created opportunities not otherwise available for our local and regional labor force, made up nearly exclusively of Alaskans and, more specifically, residents of western Alaska. Of the nearly 300 fish plant workers hired in 2002, less than ten were non-residents. In addition, in-state training, marketing, professional services, and construction all provide benefits to the state that should be considered by the CDQ team.

Less measurable benefits to the communities, region, and state also play a role in placing CVRF at the front of the issue. CVRF has facilitated the activities of many other entities desiring to provide benefits to the region. A recent example of this is a request by the University of Alaska Rural Development School for CVRF to facilitate a training session that includes a trip to review one of our fish processing plants. Coastal Villages also refers residents to programs offered by various agencies in the region, such as the Yukon-Kuskokwim Health Corporation and the Lower Kuskokwim School District. In addition, the hope and self-confidence instilled in the communities as a result of Coastal's programs is an intangible benefit difficult to quantify. These relationships and activities cost CVRF virtually nothing but result in priceless opportunities for the people of our region and state.

In 2001 and the first half of 2002 alone, CVRF has contributed the following direct cash benefits to members of our region:

<u>CVRF Program</u>	<u>Eighteen months ending June 30, 2002</u>
Scholarships	\$ 121,000
Internships and employment	3,199,000
Training	170,000
Program facilitation	882,000
Fishermen payments	985,000
Herring fisheries facilitation	200,000
Loans	650,000
Capital improvement to CVS plants	1,887,000
Other CVS operating expenses	2,417,000
	<u>\$ 10,511,000</u>

We believe that the spreadsheet that the CDQ team requested shortly after the 2003-2005 CDP's were submitted asking for "2001-2002 in-region processing benefits" was crafted to specifically exclude measurement of these direct benefits to the CVRF region, and to skew allocations away from groups with little or no current onshore fisheries infrastructure.

Scorecard Summary

The facts discussed in the preceding paragraphs are issues we believe the State CDQ team failed to fully consider in the allocation recommendation process and scorecard ratings. Unfortunately, the State's failure to fully consider these errors appears to have led to a low score for Coastal Villages in these sections of the scorecard. We would like the State to further analyze the projects and initiatives engaged in by CVRF and revise our scorecard results to more accurately reflect our performance.

2003-2005 Allocation Recommendations

We believe that the allocation requested (27%) in our 2003-2005 CDP was well supported and justified. The combination of CVRF's recent outstanding performance in utilization of allocations (e.g. royalty rates, investment returns), program delivery and milestone achievement, number of communities, population and economic needs of the region, lack of basic community/fisheries-related infrastructure, and lack of proximate fisheries-related opportunities elsewhere (e.g. Dutch Harbor) would easily support an allocation request of 35-40%. The needs of our region are tremendous. The allocation of resources should reflect these needs so they can be addressed effectively.

Previous Years' Allocations – In previous years, the State has recommended cuts to the CVRF region's pollock allocation. These cuts have resulted in a direct, measurable loss of \$15.3 million dollars since 1996. The actual, total effect on the region, its communities and its residents is difficult to measure. Factors such as the economic multiplier effect of a dollar inserted into a local economy in 1996 as opposed to 2003, and the exponential effect of denying the people of the CVRF region necessary resources (allocation) to invest in the wealth-generating industries of the Bering Sea, effectively

blocking or holding down their economies and opportunities essential to the region's development, are disheartening to even consider.

2003-2005 Allocations – CVRF's recent growth in effectiveness and performance show an even more pronounced, direct effect of the State's decision to deny the restoration of CVRF's pollock allocation to previous levels, and to block CVRF's allocation level to continue upwards towards its natural 35-40% level. An allocation of 24% pollock, as opposed to the requested 27%, will result in a direct loss of royalties and distributions worth \$11.8 million in 2003-2005. Again, the actual, total effect on the region is difficult to measure, but is sure to result in another exponential denial of benefits, or damages, to the CVRF region communities and residents.

General Comments

AI Other Rockfish - We believe that the reduction in allocation recommended for CVRF's AI Other Rockfish allocation is in error. CVRF has been a consistent performer in the execution of the AI Sablefish fishery, and has recently run into bycatch issues with other rockfish in this area. Currently, other groups are helping us to keep this fishery going by transferring bycatch to us. Hopefully, the State will reconsider the recommended allocation for this species to better reflect the needs of CVRF for the AI Sablefish fishery.

Economic Need – We believe that the State did not properly consider economic need as a significant factor in the allocation process. Economic need was one of the main reasons the CDQ program was created, and we feel that the real needs of real people in western Alaska should therefore be weighted even more heavily within the program and the allocation process than other factors. Communities with readily accessible employment opportunities do not show a need for allocation, compared to a community with no opportunities. Current infrastructure in CDQ communities (docks, roads, liquor stores) that has been developed previous to, or outside of, the CDQ program, is evidence of a lesser economic need for a bootstrap-type allocation.

Goals of the CDQ program

The goals of the CDQ program are to allocate CDQ to eligible western Alaska communities to provide the means for starting or supporting commercial fisheries business activities that will result in an on-going, regionally based, fisheries-related economy. Coastal Villages has what a State of Alaska CDQ team official deemed a "gold-plated" direct program delivery. Our employment facilitation program places residents in jobs with our partner vessels, in jobs with our in-region fish processing plants, and in jobs in offices with our administration. The virtues of the 4-SITE program are also well known around the CDQ program, the CDQ team, and most importantly, around the region. These programs enhance our employment program's ability to develop local human resources, further promoting opportunities for success. Our herring roe incentive program brings buyers into the region and builds an improved fishery by providing additional incentives to fishermen. Our local plants and our fisheries development program provide a market to CVRF fishermen for salmon and halibut. Through these projects, programs, and other initiatives, many different opportunities are offered to our communities to start and support local fishing economies. These

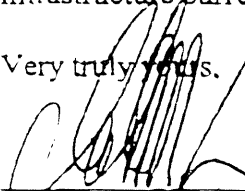
employment opportunities give people a hands-on learning experience as well as an income source. With the chance to learn comes the chance to continue to earn a stable income, and with a stable income comes the chance to succeed.

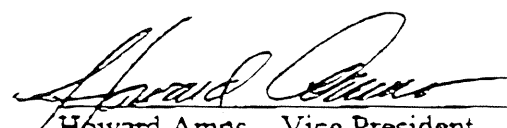
Coastal Villages' experience in western Alaska has helped CVRF to develop a philosophy of long-term focus for the solutions to the problems facing the region. Despite the numerous and long-standing barriers facing the region, including the lack of basic infrastructure, the need for the development of human resources, and high operational costs, CVRF has dedicated itself to be there for many future generations to come. The goals of the CDQ program are to take the resources of the Bering Sea and share them with the people of western Alaska to develop self-sustaining economies of their own. Coastal Villages is accomplishing just that. It stands to reason then that a group with high population, high economic need, and high success at accomplishing the goals of the program should be allowed to make its natural progression within the program.

Conclusion

Coastal Villages has succeeded in connecting the Bering Sea industry to the communities in the CDQ region. Our 2003-2005 Community Development Plan (CDP) contained more than adequate evidence of CVRF's past performance, current position and future plans in taking allocation and turning it into direct, substantial benefits that will have a balanced and measured effect on the social and economic development of our member communities. We have proven that a pound of fish directed towards Coastal Villages will have more of an effect on our people, and more local, regional and Statewide benefits than a pound of fish allocated elsewhere. We believe that the State must use the allocation process in a prudent way to reward great performance, and to discourage and/or penalize substandard practices and poor utilization of resources. We strongly encourage the State CDQ team to use all information available, correct administrative errors made, and reconsider its initial recommendation of 24% for CVRF in 2003-2005. We believe that 27% of pollock, and all other target species, is less than the people of the CVRF region will ultimately deserve and ask for at some future date, but is a fair and reasonable request given the CDQ program's need for stability, the recent performance of the Company, the number of communities and residents we represent and serve, the economic needs of our villages, and the lack of any significant local resources or infrastructure currently in existence.

Very truly yours,


Morgen Crow – Executive Director
COASTAL VILLAGES REGION FUND


Howard Amos – Vice President
COASTAL VILLAGES REGION FUND

cc: David Benton, Chairman
Tony Knowles, Governor
Deborah B. Sedwick, Commissioner
James W. Balsiger, Administrator

North Pacific Fishery Management Council
State of Alaska
State of Alaska – DCED
National Marine Fisheries Service

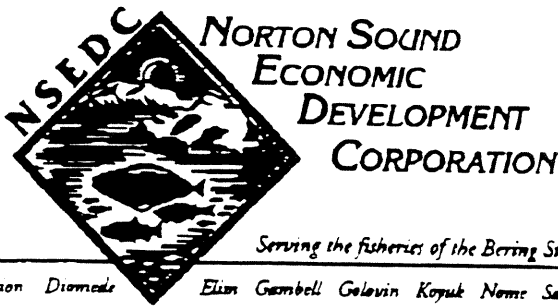
**Coastal Villages Region Fund
Other Community, Regional and Statewide Benefits
January 2001 – July 2002**

Community, Regional and Statewide Benefits

- Offered services through CVRF projects and programs, including Fisheries Support and Development projects (salmon, halibut & herring programs, loan programs, tax & permit assistance programs), 4-SITE (Scholarships, Internships, Training & Employment), and related support services (Junior Achievement, Youth Leadership, and READ [Rural Education Adult Development]).
- Provided employment for almost 400 people who earned almost \$4.1 million in gross wages from January 2001 through July 2002.
- Provided a buying outlet as the only fish buyer in the region for salmon and halibut for nearly 400 fishermen in the region, paying \$1.15 million directly to region fishermen from January 2001 through July 2002.
- Facilitated a market for the region herring districts by participating in a herring roe incentive program. This program provided almost \$300,000 in additional cash payments to herring fishermen.
- Provided opportunities for fishermen to directly participate in various Bering Sea fisheries, either as fishermen, crewmen or in fisheries related businesses.
- Facilitated meetings with local herring fishermen associations to start to develop a region-wide herring coalition.
- Provided quality control and fillet training to eligible processors from our fish plants to facilitate them earning higher wages at the plants.
- Provided every commercial fisherman in the CVRF region the opportunity to apply for gear advances and loans. Gear advances are supplied throughout the fishing season. Loans are awarded twice a year, with successful applicants receiving financial education classes to explain the loan documents and the 5 "C"s of credit.
- Traveled to and assisted CVRF communities in filing their income taxes, resulting in over \$900,000 being returned to community residents in 2002.
- Conducted follow-up surveys of residents of each member village regarding their input through the Ciunerkam Tangruaritii (CT) process, and conducted one-on-one interviews with each CVRF board member as follow-up to the CT process.
- Announced CVRF employment, training and other opportunities through local flyers, VHF announcements, and public meetings announcements.
- Sponsored Native News and Alaska Weather through the local radio stations KYUK and KCUK, programs that are aired throughout the CVRF region and beyond.
- Produced segments on CVRF's Community Development Support programs and Marine Transportation and Education initiatives that aired on the Alaska Rural Communication Service's (ARCS) Alaska Rural Development television programs.
- Placed advertisements through local newspapers (Tundra Drums and Delta Discovery), for all CVRF program opportunities.
- Participated in the local advisory council of the Alaska Workforce Investment Council.
- Participated in local community youth workshops and public meetings.

- Distributed corporate Annual Reports to all CVRF region residents.
- Produced and distributed to all CVRF region residents a corporate newsletter "Neqsurtet Nepiit - The Sound of the Fisherman".
- Developed and host the CVRF website, which reports current job openings and other informative news.
- Visited CVRF region communities with plants to explain upcoming fisheries to fishermen, and facilitated community meetings to discuss the Cape Romanzoff fisheries.
- Participated in other local community meetings and gatherings throughout the region.
- Sponsored CVRF community representatives to attend Yukon-Kuskokwim Regional Economic Development Council meetings.
- Engaged community leaders and CVRF board members for a two-day training session on the CDQ program, CDQ issues, and local governance guidelines.
- Provided pre-employment training to local fish plant employees.
- Participated in the grand openings of two new halibut plants at Kipnuk and Hooper Bay.
- Participated in meetings with the Nuniwarmiut Reindeer and Seafood Products (NRSP) committee.
- Continuously and actively recruited for all CVRF employment and program opportunities utilizing our rural recruiters, community liaisons, employment coordinators, and community program managers.
- Recruited in non-CVRF communities, including Atmautluak, Nunapitchuk, Kasigluk, Tuluksak, Kalskag, and Kwethluk.
- Provided a loan to a local fisherman to purchase IFQ's in order to participate in Gulf of Alaska fisheries.
- Participated in the Yuut Elitnaurviit Board of Directors to provide direction for the establishment of a regional training center.
- CVRF and seafood partners collaborated to conduct a presentation at Bethel Regional High School and the local museum about seafood employment opportunities.
- Participated in the regional Association of Village Council Presidents (AVCP) annual convention.
- Staffed an information booth at the annual Alaska Federation of Natives (AFN) convention.

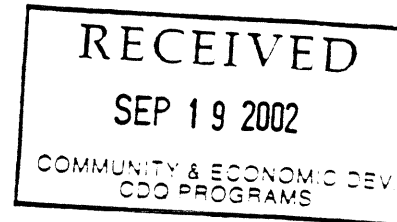
NOTE: This list represents the highlights of activities conducted by Coastal Villages Region Fund. For more complete discussions of the benefits provided through our projects and programs, please see our quarterly reports and community development plans (CDP's).



September 19, 2002

Jeff Bush, Deputy Commissioner
P.O. Box 110800
Juneau, AK 99811-0800

Dear Mr. Bush:



Pursuant to the request of the State of Alaska, the NSEDc board met and NSEDc submits the following comments on the state's scorecard and allocation recommendations.

For years NSEDc has tried to participate in developing a fair and objective process, as called for in the National Academy of Sciences report, for the allocation of Community Development Quota resources to the communities participating in the program. In the 2003 - 2005 round of allocations the State of Alaska proposed to use a "scorecard" in its allocation process. Regrettably, the state made a number of errors in its allocation process. First, it made factual or judgmental errors in the scoring of elements purported to be used for allocation; secondly, the state used as the basis for allocation elements which are not authorized in regulation or statute.

Errors in scoring:

1. The state failed to correctly score its very first criteria: population and demographics. For example, NSEDc has 32 % of the population (8493 residents), of which 30.1 percent have incomes below the poverty line, and fifteen communities. NSEDc received a score of 9. Contrast that with CBSFA, which has 2% of the population (532 residents), of which 7.1% are below the poverty line, and one community. CBSFA received a score of 4.3. To award a group with only 1/16th of the population, and a higher median income, with about half the points of NSEDc in the scorecard is a manifest error. Even if income levels are disregarded, if NSEDc is to receive a score of 9 then CBSFA should receive a score of 0.6. Correcting this error, alone, should be sufficient to raise the recommended allocation of pollock to NSEDc.
2. NSEDc believes the state erred in its rating for management effectiveness. NSEDc is widely regarded as being the most successful CDQ group, and fails to see how any group could have delivered more in-region dollars of investments and benefits, nor how any group could have a greater financial success story. NSEDc's success does not come without an effective management team. In light of testimony at the public hearing which made it clear that the CDQ program is

not without financial failures, the state erred to rate NSEDC as tied for third or fourth in management effectiveness. This is inconsistent with any objective review of the success of the groups. The state also made the comment that "Staff need to be given more authority for day-to-day operations" This statement is unsupported, and its germaneness to the score or to allocations is unclear at best. Furthermore, the state made the comment that NSEDC is always "pushing the envelope" but fails to recognize the necessity of this because NSEDC has never had a member of its group on the North Pacific Fisheries Management Council to advance its issues.

3. For the same reasons, NSEDC fails to see how it ranked third in CDQ Achievement. The only negative comment the state had on this item was "low pollock royalties," which is an unfair comment. NSEDC explained its formula in the closed-door meeting, and pointed out that over a longer period of time, instead of focusing only on a single year, NSEDC has had above-average royalties. Further, the state failed to take into account the in-kind royalty represented by Glacier Fish Company's commitment to do in-region operations—which was an express consideration in the pollock harvest agreement and, as evidence of the value of this in-kind royalty, for which NSEDC received cash instead of the in-kind royalty in a year when the pink salmon run failed (not the year the state looked at). Also on CDP achievement, the state also apparently failed to give credit for the superior performance of NSEDC in harvesting its allocations, minimizing any underharvest and without overharvest.
4. In Community, Regional, and Statewide Benefits the state commented that the "Unalakleet plant is struggling." This appeared to be a negative comment. The Unalakleet plant is not NSEDC's plant. Furthermore, the reason the plant is struggling is the failing salmon runs in the area—a condition NSEDC has worked with ADF&G to mitigate through financial contributions and other efforts. NSEDC should not have been penalized for the struggles of a plant owned by someone else, for reasons not of NSEDC's making. On this category the state also failed to recognize the extent to which NSEDC supports regional conferences and other community and regional activities.
5. NSEDC believes the state erred in its ranking of NSEDC as third in Community Outreach and Involvement. NSEDC was ranked even lower than a group headquartered in Seattle. This quantitative score is inconsistent with the state's observation that NSEDC has the best annual report of any of the CDQ groups, of the substantial evidence NSEDC provided of its Community Outreach program or community meetings held as part of the CDP development process. The state makes the comment that "majority of staff are located in Anchorage," which seems curious when the majority of the CDQ groups are headquartered in Anchorage, Juneau, or Seattle.
6. In addition to the individual scoring errors cited above, there is no weighting which could be assigned even to the point scores that were awarded which would

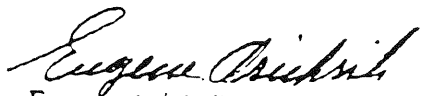
result in the state's recommended allocations among the six groups. Therefore the point scores must not have been the basis for the allocations.

Errors in the use of unauthorized criteria:

1. As a general comment, it is hard to know all the criteria which were utilized in the allocation process since a large component of the state's process is conducted behind closed doors: the state's own deliberations and the one-on-one meetings with each individual group.
2. As evidenced by questions at NSEDC's closed-door meeting and the state's objections that the state was not adequately consulted on investment activity undertaken by entities other than the applicant, and the citation of "high maintenance" in the scorecard, the state appeared to be relying on an unstated criterion in its allocation process.
3. As evidenced by questions at the public meeting and the closed-door meeting about whether NSEDC would continue to support HR553 (a pending piece of legislation in Congress), and a reference to "contesting government oversight" in the scorecard, the state improperly considered NSEDC's positions taken with respect to the CDQ rulemaking, and with respect to pending legislation, as a basis for its allocation recommendations. It would be a reasonable question in the mind of an impartial observer familiar with the circumstances whether there is a correlation in this round of allocations between the extent to which a CDQ group advocated positions favorable to the state's view of oversight and the amount by which their allocations were recommended for increase or decrease.
4. The scorecard says that "to be successful...group needs to spend much more time communicating with state team." As evidenced by this comment, the state improperly considered the time spent communicating with state team as a basis for allocation recommendations.

In summary, the state made a number of errors which negatively affected the state's recommended CDQ allocations to NSEDC. If the state based its allocations on NSEDC's population and demographics, its financial performance and the quality and quantity of the benefits NSEDC provides to its communities, NSEDC would have received higher allocations. The purpose of the program is not compliability with oversight policy; instead the purpose of the program is to benefit western Alaska communities; in this regard NSEDC's performance should be recognized and rewarded. Therefore, NSEDC requests that in the state's final recommendations NSEDC's allocations, particularly pollock, be at the levels requested in its CDP.

Sincerely yours,


Eugene Asicksik
President and CEO

C.C. NSEDC BOO



Yukon Delta Fisheries Development Association

301 Calista Court • Suite C • Anchorage AK 99518
Tel: (907) 644-0326 Fax: (907) 644-0327

September 16, 2002

Mr. Greg Cashen, CDQ Manager
Alaska Department of Community & Economic Development
Municipal & Regional Assistance Division
P.O. Box 110809
Juneau, AK 99811-0809

Subject: Response to 2003-2005 CDQ Allocation Recommendations

Dear Mr. Cashen:

YDFDA would like to take this opportunity to thank you and the members of the CDQ team for our 2003-2005 Allocations. We will submit our revised budget and CDP pages reflecting the allocation we received upon finalization of the allocations.

YDFDA does have one concern though and that is how the score card relates to allocations received. We would appreciate receiving clarification as to that linkage.

Once again we would like to thank you for our allocation. We look forward to the 2003-2005 allocation period.

Sincerely,

Ragnar O. Alstrom
Executive Director